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C O N F I D E N T I A L SECTION 01 OF 02 BUDAPEST 000588

SIPDIS

DEPARTMENT FOR EUR/NCE; PLEASE PASS TO NSC FOR ADAM STERLING

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SUBJECT: THE WILD CARD: THE SZDSZ ELECTIONS AS THE LATEST
VARIABLE

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Classified By: P/E COUNSELOR ERIC V. GAUDIOSI; REASONS 1.4 (B) AND (D)

¶1. (C) Former Environment Minister Gabor Fodor's defeat of incumbent Janos Koka as SzDSz Party President is the latest variable in the Hungarian political equation. Contacts in both the MSzP and FIDESZ tell us that the coming months will largely depend on which of Fodor's many public statements indicate his true intentions.

HARD TO GET ...

¶2. (C) Thus far, both Fodor and Koka have expressed their commitment to unity within the party and to "constructive opposition" in Parliament. Fodor has signaled his opposition to early elections if they raise the possibility of "changing the constitution" or "giving voting rights to ethnic Hungarians abroad." Both pre-conditions indicate no hurry to join forces with FIDESZ (and conservative commentators have described them as poison pills), but neither has he rushed back toward the coalition.

¶3. (C) In a meeting just after Fodor's election on June 7, party insider Laszlo Csozik told us that Fodor considers a return to the coalition "out of the question" but regards early elections as a non-starter. Accordingly, Csozik concludes that the SzDSz will likely provide the MSzP with "support from without" on key issues. (Note: Csozik also believes that Fodor will work to displace Koka as the party's parliamentary faction leader as well. End Note.)

OR HARD TO WANT?

¶4. (C) For their part, the Socialists are open to discussion but in no evident hurry to remarry. Prime Minister Gyurcsany has left the door open with a blog entry focused on the commonality of interest between the MSzP and the SzDSz, and MSzP Parliamentary Faction Leader Ildiko Lendvai goes so far as to indicate that "those inside the coalition can make requests ... including personnel changes." Indeed, she indicates that the SzDSz has even floated names of "outsiders" they could support in a new coalition with the Socialists, and tells us the MSzP has prepared its legislative proposals with an eye toward pleasing both Fodor and Koka. Ultimately, however, Lendvai believes that Fodor's majority is too narrow to move the SzDSz back into a coalition in the immediate future.

¶5. (C) Moreover, any new arrangement with the SzDSz will not receive unanimous support from the MSzP. Socialist MP Agnes Vadai speaks for many in the party with her flat statement, "we don't miss the SzDSz." Having survived so far, the Socialists may be increasingly convinced that minority government is sustainable in the longer term, particularly after passing a record 18 measures in the final session of

Parliament June 9. MSzP members including Deputy Faction Leader Attila Mesterhazy express their confidence that the SzDSz will ultimately come around on the 2009 budget and tax reform.

16. (C) For their part, many FIDESZ members are openly deriding the SzDSz's move to "opposition" status. They had grown particularly frustrated with Koka, whose recent speeches in Parliament were met by occasional jeers from the FIDESZ bench. Fodor may not fare much better. Despite personal relationships with Fodor that stretch back to his original membership in FIDESZ (when he was one of Orban's university room-mates), many on the right still regard him with minimal respect. In his public statements, Orban has indicated that he is prepared to meet to discuss cooperation, but defined the goal as "bringing to an end the current government."

17. (C) In a meeting with Ambassadors July 11, Orban commented that Fodor remains in a difficult situation given pro-Koka sentiment within the SzDSz parliamentary faction. He suggested that early elections would be "in the SzDSz's interest" to catalyze its declining base and clearly differentiate their positions. Orban believes Fodor would offer to "make a deal" with the MSzP based on "a new program and new Prime Minister," but he expects that "Gabor will take the summer off" (as is his habit) and that the Socialists will ultimately refuse his terms for a new coalition. Why shouldn't they, he asks, when the SzDSz is still their "silent partner" out of government?

OPEN CHARMS AND HIDDEN STRENGTHS?

18. (C) Others advise us not to underestimate Fodor's ability or his independence. Although political scientist Zoltan Kiszelly tells us "the people won't vote for more reforms and

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the SzDSz can't run on competence," commentator Laszlo Keri believes that Fodor still has a year to turn the party around after the "detour" of Koka's leadership. He notes that Fodor is working hard to bring back the party's founding fathers, and believes his identification with environmental issues will prove helpful in mobilizing young voters. Even former SzDSz President Gabor Kunze) who supported Koka in the most recent party elections) notes that Fodor is much more calculating than his carefully cultivated image would suggest.

19. (C) Comment: Although the larger parties may covet the SzDSz's votes in Parliament, the MSzP and FIDESZ seem to be reaching the conclusion that they can ultimately live without the Free Democrats. Both believe, however, that the SzDSz may not be able to survive without an alliance with them, whether the next elections come this year, next year, or in 2010. Fodor's narrow margin of victory reflects the continuing fissures within the party, and the party's dismal poll numbers predict a steep incline ahead for a new leader with a reputation for coasting. We expect Fodor will tend to the party's internal issues over the summer, and may well continue a flirtation with both the government and the opposition in the longer term. End Comment.
Foley